



**MCI Telecommunications
Corporation**

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

December 17, 1993

Mr. William F. Caton
Secretary
Federal Communications Commission
Room 222
1919 M Street, NW
Washington, DC 20554

Re: CC Docket No. 92-296: Simplification of the Depreciation
Prescription Process

Dear Mr. Caton:

Enclosed herewith for filing are the original and four (4) copies of MCI Telecommunications Corporation's Comments in the above-captioned proceeding.

Please acknowledge receipt by affixing an appropriate notation on the copy of the MCI Comments furnished for such purpose and remit same to the bearer.

Sincerely yours,

Elizabeth Dickerson
Manager, Federal Regulatory

Enclosure
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Before the
FEDERAL COMMUNICATIONS COMMISSION
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DEC 17 1993

FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON, DC 20054

In the Matter of)

Simplification of the)
Depreciation Prescription)
Process)

CC Docket No. 92-296

COMMENTS

MCI Telecommunications Corporation ("MCI") hereby submits its comments in response to the Order Inviting Comments ("Order") filed by the Commission on November 12, 1993, in the above-captioned proceeding. In the Order the Commission proposes ranges of projection life and future net salvage factors for a number of plant accounts. This Order represents the initial phase of the Commission's implementation of the streamlined depreciation prescription methodology it adopted in the original Report and Order in this docket.¹

MCI continues to support the Commission's adoption of the Basic Factor Range Option for simplification of depreciation because it permits the Commission to retain an appropriate degree of oversight over the depreciation represcription process with which it has been charged, while allowing the local exchange carriers ("LECs") to benefit from administrative simplicity, conservation

¹ Simplification of the Depreciation Prescription Process, CC Docket No. 92-296, Report and Order, Released October 20, 1993 ("Depreciation Simplification Order").

of resources, and greater flexibility.² Specifically, it permits carriers to submit streamlined data when requesting a new depreciation range. Further, it enables LECs to change basic factors on an annual schedule, as opposed to the current and more restrictive triennial basis.³

In the instant proceeding, the Commission has taken a step toward implementing its new procedures, by designating twenty-two accounts for which carriers seeking depreciation rates that fall within the specified ranges may avail themselves of the new, streamlined procedures. Although LECs can achieve maximum benefit only once the Commission has established ranges for all capital accounts, this partial Part 32 USOA investment account list represents a significant step toward achieving full simplification of the depreciation process. As the Common Carrier Bureau continues its efforts to designate appropriate ranges for those accounts not included in the current list, the LECs will realize the full administrative savings and flexibility that depreciation simplification was designed to provide.⁴

Further, MCI believes that the Proposed Accounts and Ranges for Initial Implementation are reasonable, and the Commission should adopt them without any modification. The Commission commenced its analysis of the appropriate ranges by identifying the "current basic factors with a width of one

² Depreciation Simplification Order, at para. 72

³ Id., at para. 72.

⁴ Id., at para. 3

standard deviation."⁵ Though it does not provide the specific details of the process, the Commission indicates that it adjusted these initial ranges to reflect "other factors such as the number of LECs with basic factors that fall within this initial range and future LEC plans in determining the actual range width for any one account."⁶ Clearly, the range is not so narrow as a single standard deviation.

Since the starting point for calculating the ranges is one standard deviation from current basic factors, some carriers will, by definition, fall outside the range. The Commission has provided additional flexibility to these LECs by not requiring them "to use the basic factors within established ranges if their basic factors are now outside the ranges."⁷ Instead, "a carrier should use the basic factors that reflect its company operations."⁸ The Commission's procedures carefully accommodate those carriers: "If a LEC makes a reasonable showing, based on current data requirements, that its basic factors should be different from those within established ranges, [the Commission] would prescribe rates using appropriate basic factors."⁹

While the carriers whose historical investment patterns preclude them from initially participating in the simplified methodology (altogether, or just for

⁵ Id., at para. 61.

⁶ Id., at para. 62.

⁷ Id., at para. 71.

⁸ Id.

⁹ Id., at para. 31.

certain accounts), this does not negate the benefits that accrue to the other carriers. Further, those LECs whose conservative investments in modern infrastructure have resulted in slower depreciation may gain the incentive to accelerate their investment programs so that they can eventually benefit from the simplified methodology as well.¹⁰

If the Commission were to adopt ranges that were too wide, those carriers who have lagged behind the industry in network investment would be able to take advantage of ranges that reflected the accelerated depreciation that resulted from the more aggressive investment plans of other LECs. This increased flexibility could inappropriately reward carriers for modernization they did not pursue. The Commission's Group Life depreciation methodology reflects the carriers' past investment decisions; it does not set depreciation based on carrier promises of future renewed plant. If the Commission were to adopt ranges that were too wide, the value of this critical investment/reward incentive would be eliminated altogether.¹¹

In summary, the Commission has proposed ranges that are reasonable and should be adopted because both the ranges and the current depreciation

¹⁰ MCI recognizes that those carriers who have aggressively invested in network modernization similarly may not be able to avail themselves of the benefits of the Commission's Basic Range Factor Option. Not only should this issue be addressed in reconsideration rather than in this implementation phase, but failure to extend simplified procedures to all carriers does not provide any justification for not extending it to some carriers.

¹¹ Both price cap and rate-of-return regulated carriers benefit from higher depreciation expenses. The price cap carriers, by depressing their earnings levels (and potentially forestalling or eliminating a sharing obligation); and the rate-of-return carriers, by increasing their rate bases.

methodology appropriately reward carrier modernization efforts. Further, the Commission should be commended for adopting a plan that provides an initial level of increased flexibility and simplicity, and criticism that it does not go far enough should not be permitted to extinguish the plan altogether.

Respectfully submitted,

MCI TELECOMMUNICATIONS
CORPORATION

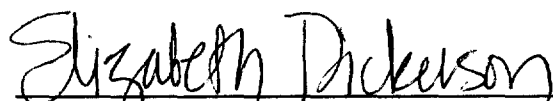
A handwritten signature in black ink that reads "Elizabeth Dickerson". The script is fluid and cursive, with the first name and last name clearly legible.

Elizabeth Dickerson
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December 17, 1993

STATEMENT OF VERIFICATION

I have read the foregoing and, to the best of my knowledge, information, and belief, there is good ground to support it, and it is not interposed for delay. I verify under penalty of perjury that the foregoing is true and correct. Executed on December 17, 1993.

A handwritten signature in cursive script that reads "Elizabeth Dickerson". The signature is written in dark ink and is positioned above a horizontal line.

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CERTIFICATE OF SERVICE

I, Susan Travis, do hereby certify that on this 17th day of December, 1993, copies of the foregoing MCI's Comments, CC Docket 92-296, were served by first-class mail, postage prepaid, unless otherwise indicated to the parties on the attached list.

**** HAND DELIVERED**


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